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E.O. 11652: GDS

TAGS: MASS, ETRD, EGIN, EGEN, EAID, CASC, BDIS, KS

SUBJECT: WEEKLY STATUS REPORT - KOREA

TO: EA - MR. HOLBROOKE

FROM: EA/K - ROBERT G. RICH, JR.

1. MISSILE STUDY NEARLY COMPLETE (CONFIDENTIAL)

A JOINT STATE/DEFENSE EFFORT TO ASSESS KOREAN

MILITARY REQUIREMENTS FOR VARIOUS TYPES OF BATTLEFIELD
MISSILES IS NEARLY COMPLETE. THE STUDY, WHICH WILL
SERVE AS A BASIS FOR DECIDING WHETHER WE SHOULD
PARTICIPATE IN A JOINT STUDY OF THIS ISSUE WITH THE ROK
AS RECOMMENDED BY CINCUNC AND EMBASSY SEOUL, CONCLUDES
THAT THERE IS LITTLE MILITARY JUSTIFICATION FOR ROK
ACQUISITION OF MISSILES. WE WILL NEED TO DECIDE IN THE
NEAR FUTURE WHETHER TO PROCEED WITH A JOINT STUDY. WE
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WOULD GAIN POINTS WITH THE ROKS BY BEING WILLING TO
PARTICIPATE IN A STUDY, BUT WE HAVE NOT YET FULLY WEIGHED
THE PROS AND CONS. (DB).

2. DPM NAM DUCK-WOO CITES NEW CHALLENGES TO THE
KOREAN ECONOMY (UNCLASSIFIED)

IN A SPEECH BEFORE THE SEOUL CORRESPONDENTS CLUB LAST WEEK, KOREA'S CHIEF ECONOMIC PLANNER ASSERTED THAT THE ECONOMY IS APPROACHING A "DECISIVE TURNING POINT," WHICH WILL REQUIRE MAJOR MANPOWER ADJUSTMENTS AS IT MOVES FROM LABOR-INTENSIVE TO HIGHER TECHNOLOGY PRODUCTION. HE CITED INFLATION AS KOREA'S PRINCIPAL ECONOMIC CONCERN, AND AFFIRMED THAT ROKG POLICIES WILL ENSURE THAT THIS IS A SHORT-TERM PROBLEM. NAM'S STATEMENT THAT IT WILL NO LONGER BE POSSIBLE TO "RESTRAIN INTERNAL CONSUMPTION INDISCRIMINATELY; MARKED THE FIRST TIME A HIGH OFFICIAL HAS PUBLICLY RECOGNIZED THE NEED TO MEET GROWING DOMESTIC CONSUMER DEMAND. NOTE: WHILE NAM REAFFIRMED KOREA'S COMMITMENT TO INFLATION FIGHTING THROUGH (IN PART) IMPORT LIBERALIZATION, THE ROKG ALSO LIBERALIZED PREFERENTIAL LOANS FOR EXPORTERS, PROBABLY PROMPTED BY GROWING FEARS THE 1978 EXPORT TARGET MAY NOT BE REACHED. THE LATTER MAY ALSO BE A SOP TO KOREA'S EXPORT FIRMS WHO HAVE BEEN GRUMBLING OVER A RECENT ANTI-INFLATION INTEREST RATE HIKE. (BP).

3. "FREE AT LAST" - AKIRA SAHEKI, AUGUST 1, 1978

(CONFIDENTIAL)

AFTER BEING DETAINED IN KOREA ALMOST A MONTH BECAUSE OF A TRADE DISPUTE, OREGON BUSINESSMAN AKIRA SAHEKI AND THE KOREAN FIRM INVOLVED SIGNED AN AGREEMENT WHICH LED
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TO DROPPING OF CRIMINAL CHARGES. IN THE EMBASSY'S VIEW, THE AGREEMENT CAME AS A RESULT OF NUMEROUS REPRESENTATIONS MADE BY THE EMBASSY AND THE DEPARTMENT TO THE ROKG, AND A FLOOD OF PRIVATE COMPLAINTS MADE DIRECTLY TO THE ROK EMBASSY HERE. APPROACHES TO THE KOREANS CAME FROM AT LEAST FOUR CONGRESSMEN, ONE SENATOR, ONE GOVERNOR, AND INCLUDED A THREAT BY WEST COAST LONGSHOREMEN TO STOP UNLOADING KOREAN GOODS. WE BELIEVE THE ROKG MAY TAKE STEPS TO PREVENT FUTURE DISPUTES FROM GETTING OUT OF NORMAL TRADE ARBITRATION CHANNELS, AND WE INTEND TO ENCOURAGE THEM WHEN THINGS COOL DOWN. IN THE MEANTIME, ONE CONGRESSMAN, PLEASED WITH OUR HANDLING OF THE SITUATION, ASKED THAT VICE CONSUL STEPHEN KENNEDY PARTICULARLY BE COMMEDED FOR HIS HANDLING OF THIS AFFAIR. (BP).

4. FRASER SUBCOMMITTEE HEARS ECONOMIC PANELS

(UNCLASSIFIED)

CONCLUDING THE PENULTIMATE ROUND OF HEARINGS ON ITS INVESTIGATION OF US/KOREAN RELATIONS, THE HOUSE SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS HEARD TWO

PANELS DISCUSS THE U.S. ROLE IN KOREA'S ECONOMIC DEVELOPMENT. THE MORNING PANEL PRIMARILY COVERED THE 1960S AND CONSISTED OF INDIVIDUALS WITH EXPERIENCE IN USAID IN KOREA: DR. JOEL BERNSTEIN (CURRENTLY WITH THE NATIONAL ACADEMY OF SCIENCES), DR. DAVID COLE (HARVARD PROFESSOR) AND DAVID WALSH (AID/W). THE DISCUSSION HIGHLIGHTED THE U.S. PARTICIPATION IN AN ESSENTIALLY KOREAN PROCESS OF DEVELOPMENT. PAUL CLEVELAND (EA/RA), MIKE ADLER (AID/ASIA) AND FORMER AID OFFICER PAUL KUZNETS (PROFESSOR AT INDIANA UNIVERSITY) PARTICIPATED IN THE AFTERNOON SESSION, CONCENTRATING ON DEVELOPMENTS OF THE 1970S. BOTH SESSIONS NOTED THE ROLE OF MILITARY ASSISTANCE IN PROMOTING ECONOMIC DEVELOPMENT AND EMPHASIZED THE COOPERATIVE NATURE OF OUR ASSISTANCE
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PROGRAM IN KOREA OVER THE YEARS. QUESTIONING BY CHAIRMAN FRASER (THE ONLY SUBCOMMITTEE MEMBER ATTENDING) WAS ESSENTIALLY NON-DIRECTIVE, AND THE HEARINGS PRESENTED A FAVORABLE PICTURE OF KOREA'S ROLE IN ITS OWN DEVELOPMENT. WE EXPECT ONE FURTHER ROUND OF HEARINGS, PROBABLY IN SEPTEMBER, BEFORE THE INVESTIGATION CLOSES. (BP).
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